



# NC F1RST COMMISSION MEETING MINUTES

**DATE:** July 12, 2019      **TIME:** 9:00 AM      **LOCATION:** Transportation Board Room

<b>MEETING CALLED BY</b>	The Honorable Nancy McFarlane, Co-Chair
<b>COMMISSION ATTENDEES</b>	<p>The Honorable Nancy McFarlane, Co-Chair  Ward Nye, Co-Chair  Aaron Chatterji, Ph.D.  The Honorable Janet Cowell  Stephen De May  The Honorable Julie Eiselt  Seth Riggins for Peter Hans  The Honorable William Lapsley  The Honorable Brenda Lyerly (By Phone)  Kim Saunders  Michael Walden, Ph.D.  Patrick Woodie  James Trogdon (Advisory Member)  Anthony Lathrop (Advisory Member)  Michael Fox (Guest)</p>

## AGENDA TOPICS

<b>1. INTRODUCTIONS - THE HONORABLE NANCY MCFARLANE, CO-CHAIR</b>	
<b>DISCUSSION SUMMARY</b>	<p>Co-Chair McFarlane thanked everyone for being present and invited Co-Chair Nye, Secretary Trogdon and Mr. Lathrop to say a few words.</p> <p>Mr. Lathrop framed up the meeting by explaining the focus would be the way transportation systems are financed here, in other states, and around the world to include a discussion of what other states are doing in the revenue arena and what is happening at the federal level. He also acknowledged some things that are already being implemented here by Secretary Trogdon and the General Assembly to proactively stabilize revenues such as indexing DMV fees.</p> <p>Mayor McFarlane recognized Representative John Torbett for being present. She also introduced herself and asked those present to make brief introductions.</p> <p>Board of Transportation Chairman Mike Fox thanked the group for participating in this very important task.</p>
<b>2. TESTIMONY / NORTH CAROLINA DEMOGRAPHIC TRENDS - MICHAEL CLINE, PH.D., STATE DEMOGRAPHER, OFFICE OF STATE BUDGET AND MANAGEMENT</b>	
<b>DISCUSSION SUMMARY</b>	<p>Mayor McFarlane introduced Michael Cline and described his role as the State Demographer.</p>



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Dr. Cline delivered a presentation on demographic trends in North Carolina and posited that if we focus only on the total population, we will build a transportation system that is much larger than it is today but may not meet the needs of that population. Demographic trends in North Carolina include population growth, urbanization, aging, and racial and ethnic diversity.

## Key Points:

- North Carolina is a growing state with the 4th largest gain in population since 2010 and the 9th largest population at 10.4 million.
- A population of 10.6 million is expected in 2020 and 12.8 million in 2038.
- The rate of growth has slowed from the previous two decades.
- Over 60% of growth is due to net migration of which three quarters is domestic and 28% is international.
- NC has the second largest rural population behind Texas, but North Carolina has much more densely populated rural areas.
- North Carolina is becoming a more urban state with 94% of growth occurring in urban areas.
- Rural areas still need a transportation system.
- 33 counties lost population this decade (In the last decade, seven counties lost population).
- All Highway Divisions will see some growth but two Divisions (Division 5 encompassing Raleigh-Durham and Division 10 encompassing Charlotte) will account for 52% of growth between now and 2038.
- North Carolina has an aging population and by 2030 20% of the North Carolina population is expected to be 65 or older.
- Our state is becoming more racially and ethnically diverse and between 2019 and 2038 62% of growth will be the result of a person of color.
- In 2017 37% of the population was a person of color and by 2038 43% of the population will be a person of color.
- Differences in transportation use are accounted for by differences in education and income, with income being a major predictor of transportation use.
- The implications of these trends on transportation include:
  1. Population growth leads to more drivers, more vehicle miles traveled, and more demand on all modes of transportation.
  2. Urbanization leads to increased congestion and increased demand for alternative modes of transportation, while still needing to maintain the transportation system in rural areas.
  3. Aging and changes in racial and ethnic diversity will increase the demand for alternative transportation modes, retired drivers will increase road use in non-peak commute hours, and fewer drivers in risky age groups suggest a decline in crash rates.

Dr. Cline entertained questions about the forecast model for net migration and birth rates, and on commuting patterns. Secretary Trogon remarked that the Department of Commerce has data on commuting patterns.

Dr. Cline's presentation also generated discussion about improving the connectivity of rural, suburban and urban areas for economic development, variation in rural areas, international migration, differing transportation needs in rural and urban areas, age-related differences that impact transportation use, and the impact of technology.

Secretary Trogon remarked about projections on future autonomous vehicle use and gave examples of differences in commuting patterns and how to meet those needs even when commuting crosses county boundaries. Mayor McFarlane remarked about the impact of housing prices on commuting patterns. Discussion also touched on transportation system capacity and how changes in capacity can, in turn, increase demand.



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## 3. TESTIMONY / NCDOT FINANCE OVERVIEW - BURT TASAICO, DIRECTOR, OFFICE OF STRATEGIC INITIATIVES & PROGRAM SUPPORT, NCDOT

### DISCUSSION SUMMARY

Mayor McFarlane introduced Mr. Tasaico.

Mr. Tasaico delivered a presentation on financing transportation in North Carolina and opened his presentation by remarking that we have made our state a great place to live and work and if we want North Carolina to meet the needs of the population demographics presented by Dr. Cline, we need to get busy now.

#### Key Points:

- NC is growing, revenue is declining, and there are a variety of transportation disruptors.
- We are trying to forecast human behavior.
- We are not optimistic about Federal funding going forward and need to develop new funding strategies.
- Car ownership is declining.
- We don't know yet how miles traveled will change going forward.
- Funding for transportation has traditionally been based on the User Pay Principle – If you use it you help pay for it.
- As the user pay principle has not been sufficient over time, other innovative funding mechanisms have been used to pay for transportation (e.g. Public Private Partnerships and Innovative Financing).
- It is expensive to build, maintain and operate a transportation system.
- AAA estimated the annual vehicle ownership cost for a vehicle driven 15,000 miles per year at \$7,000. AAA also estimated that 13% of the annual cost is for fuel, 7% for transportation system fees, and 4% for federal and state motor fuel taxes. Based on these figures, the average user pays \$770 annually toward building and maintaining the transportation system.
- Mr. Tasaico highlighted a chronology of funding milestones in North Carolina:
  1. North Carolina established a \$0.01 gas tax in 1921.
  2. DMV fees followed.
  3. The Highway Use Tax is the third source of transportation funding in North Carolina and it was established when the Highway Trust Fund legislation was approved on July 29, 1989.
- 75% of transportation revenues in North Carolina are state-derived and 25% are federally derived.
- Federal aid revenue sources are a mix of motor fuel taxes, truck sales taxes, heavy vehicle use taxes, heavy truck tire taxes, and transfers from the general fund. Transfers from the general fund began in 2008 to keep pace with transportation commitments.
- State revenue sources in NC include a gas tax that is indexed, DMV fees that are indexed once every four years based on the Consumer Price Index (CPI), and a Highway Use Tax of 3% of net vehicle sale transactions.
- There are no general fund transfers to transportation in NC.
- Mr. Tasaico displayed a table showing the various sources of data for forecasting motor fuel, DMV fee, Highway Use Tax, and Federal revenue. He remarked that the traditional forecasting tools were not serving us well due to deviations which has necessitated getting updated information monthly to find out how our fleet is changing over time.
- The ten year revenue forecast projects flat federal revenue, modest increases in the Highway Use Tax, bump increases in DMV fees in 2021, 2025 and 2029 due to indexing, and modest increases in the motor fuel tax which is a combination of gas consumption, which is going down, and diesel consumption, which is going up.



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	<ul style="list-style-type: none"> <li>• Electric trucks are coming - legislation has been introduced to repeal the heavy truck sales tax to facilitate the changeover of the fleet from diesel to electric.</li> </ul> <p>Mr. Tasaico's presentation generated discussion about electric buses, charging infrastructure, and consideration of heavy vehicle fees in North Carolina. Secretary Trogdon remarked that NC is working on plans for electrification of bus fleets and is looking at charging on interstate for trucks and cars to push the technology out faster. He also remarked that one of the outcomes of the NC First Commission is to identify the things we need to get ready for regardless of the year they arrive, so we are ready before they come.</p> <p>Mr. Tasaico briefly referred to the Construction Cost Index and various disruptors that drive uncertainty including autonomous vehicles, connected vehicles, electric vehicles, and different fuel types. These disruptors are expected to evolve and impact transportation revenues.</p> <p>Questions were raised about the adjustment period for DMV fees, liability for accidents involving autonomous vehicles, and transportation revenue growth. Mr. Tasaico closed by saying that year-over-year growth in revenue is not keeping up with construction cost.</p>
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<b>4. TESTIMONY / FEDERAL REVENUES: INSOLVENT, UNCERTAIN, AND IN NEED OF MODERNIZATION - JEFF DAVIS, SENIOR FELLOW, ENO CENTER FOR TRANSPORTATION AND EDITOR OF THE ENO TRANSPORTATION WEEKLY</b>	
<b>DISCUSSION SUMMARY</b>	<p>Mayor McFarlane introduced Jeff Davis who joined the meeting from off site.</p> <p>Mr. Davis described the Eno Center for Transportation, its founding in 1921 by traffic safety pioneer William Eno, and delivered a presentation on the role of the Federal Government in funding transportation.</p> <p>Key Points:</p> <ul style="list-style-type: none"> <li>• In 1916 Congress enacted the first law to provide funding aid for states to improve their roads.</li> <li>• To raise their 50 percent matching share for these new federal grants, states had to raise new revenues.</li> <li>• Oregon was the first state to levy a tax on gasoline in 1919 and dedicated the proceeds to pay for roads, just as auto registration fees were already being used.</li> <li>• Other states, after debating whether or not to use their normal property tax revenue base for roads, quickly followed suit.</li> <li>• North Carolina did so in 1921.</li> <li>• In just ten years, all 48 states and the District of Columbia had levied gasoline taxes.</li> <li>• The onset of the Great Depression caused Federal income tax receipts to fall by more than 50 percent after the stock market crash despite increased tax rates. Customs duties also dropped by almost half.</li> <li>• However, state gas tax receipts went against this trend and actually increased during the Depression.</li> <li>• Congress taxed gasoline solely as a general deficit reduction measure in 1932.</li> <li>• Congress passed a law in 1934 to take away part of a state's highway funding if the state used its gas tax for other purposes which eventually developed into a post hoc user-pay rationalization.</li> <li>• Congress passed a law in 1952 encouraging federal programs to be made self-sustaining through user fees.</li> <li>• The White House budget office has been encouraging the user-pay model ever since.</li> </ul> <p>Mr. Davis described the user-pay model in greater detail and identified problems with how the model is currently being managed:</p>



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- Excise taxes or user fees are levied on a sector or group and deposited in a special fund, and the proceeds of that fund can only be used to pay for programs that provide direct benefit to those who paid the excise tax.
- The federal government put highways on a user-pay basis with the creation of the Highway Trust Fund (HTF) in 1956, followed by aviation in 1970, inland waterways in 1978, mass transit in 1982, and harbors in 1986.
- An important theoretical aspect of the user-pay concept is cost allocation.
- In order to be fair, the government must determine the actual costs incurred by various classes of system users including direct costs like pavement and bridge wear-and-tear, as well as externalities like congestion, noise, air quality, and safety risk.
- The revenue scheme must be tailored so that the taxes and fees paid by each class of user matches up with the costs they incur.
- It is also very important that revenue sources be stable and not volatile since those revenues are going to be pledged against long-term spending.
- The whole point is to match user tax receipts with spending on programs to benefit users.
- Congress has not increased HTF excise taxes since 1993 and the 1993 tax increase was not actually deposited in the Trust Fund until 1999.
- Since 2000 tax receipts have only increased at about 1.2 percent per year but Congress has enacted laws allowing new Trust Fund spending commitments to grow by an average of 3.5 percent per year.
- The HTF ran out of money in September 2008.
- Inability to cut spending or increase excise taxes necessitated a \$140 billion in bailout transfers from general revenues.
- The last such bailout of \$70 billion provided by the FAST Act of 2015 is projected to run out in summer 2021.
- Revenue and commitments were synced up the first 50 years of the HTF.
- The Congressional Budget Office (CBO) projects that, at the current tax rates, annual gasoline tax receipts will decrease by about 1 percent per year, and diesel tax receipts will decrease slightly less.
- In 2019 every penny of motor fuel taxes brings the Trust Fund about \$1.84 billion, but in a decade that will drop to \$1.68 billion per penny.
- The Trust Fund also receives trucking excise taxes that are projected to grow between 2 and 3 percent per year, but in dollar terms, it is the gas tax, not diesel or trucking, that is the mainstay of Trust Fund support.
- The Trust Fund is currently running a \$12 billion cash deficit in 2019, and CBO projects the annual deficit will rise to about \$26 billion per year in 2029.
- \$102 billion in additional funding will be needed to support a six-year reauthorization bill, and \$176 billion would be needed to keep the Trust Fund solvent for a decade at these levels.

Mr. Davis turned his attention to the buying power of North Carolina and Federal excise taxes:

- North Carolina has increased its motor fuel tax rates more or less consistently over the last 20 years, but North Carolina and the federal government have lost tremendous buying power.
- The most commonly used measure of inflation is the Consumer Price Index (CPI) which is an excellent measure for how a tax is felt by the average consumer as a part of their cost of living burden, but it is a poor measure of how much asphalt, concrete, gravel, structural steel, and #2 diesel fuel can be bought, or how much earthmoving services or construction labor cost.
- The CBO has used Bureau of Economic Analysis “producer price indices” to analyze total public spending on infrastructure from 1956-2017 in constant 2017 dollars based on the real cost to government of building and maintaining infrastructure.
- By those measures, North Carolina’s gas tax rate in 1956 was the equivalent of 93 cents per gallon in 2017 and has lost value ever since.
- The federal tax rate peaked at the 2017 equivalent of 49 cents per gallon in 1960.



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- In both cases, the real buying power of the gas tax is now about what it was in the early 1980s, before the 1982 tax increases.
- At the federal level, filling the Trust Fund revenue gap for a six-year reauthorization bill at baseline spending levels (2018 plus annual inflation) would require an immediate 9 cent per gallon gasoline and diesel tax increase if filled entirely with a motor fuels tax increase.
- Additional increases would be necessary to extend the Trust Fund past 2026 or to provide program growth above inflation.
- Increasing fuel taxes won't fix a broken cost allocation system.
- The last highway cost allocation study was conducted in 1997.
- Congress has not tried to sync user taxes with costs incurred by users since 1982.
- It was clear in the 1997 study that the heaviest trucks drastically underpay for the costs they impose while pickup trucks and SUVs slightly overpaid at that time.
- Since then, hybrid and electric vehicles have come along and pay somewhere between less and zero for their road use.

Mr. Davis discussed other challenges and some options for the future:

- At the federal level, motor fuel taxes are still the best option, at least for the next 10 to 20 years.
- Motor fuel taxes, levied at the wholesale tank farm, are incredibly easy for the IRS to administer, with fewer than 2,000 points of collection nationwide.
- Switching to driver-based or car-based user tax systems would force the IRS to go from fewer than 2,000 points of tax collection to 225 million (drivers) or 275 million (cars) points of tax collection to collect a tax that currently averages around \$120 per driver per year.
- If better cost allocation is desired, other revenue sources could supplement – not replace – fuel taxes.
- Another complicating factor is the HTF 80-20 split between the Highway Account and the Mass Transit Account.
- Congress has allowed transit spending to farther exceed its dedicated revenues than highway spending.
- If the next reauthorization bill continues the bailout approach instead of raising actual user taxes, Congress could redesign programs to be more flexible and multimodal.

Another way in which the program is stuck in the past is the formulas by which federal highway funding is distributed to states:

- State population, road-miles, vehicle travel, and air quality have no bearing on highway funding distribution to states at present.
- Only Highway Account tax contributions affect the distribution.
- Under the FAST Act, as under the prior MAP-21 authorization law, North Carolina is entitled to 2.66 percent of federal highway funding through 2020 because that is what the state received in fiscal 2009 under the formulas in use at that time, with its then-92-percent gas tax donor state adjustment and its relatively low share of the bonanza of earmarked projects in the 2005 transportation law.
- Each state just continues to get the same share of the program it received in 2009, whether any of the underlying facts have changed.
- A more rational basis for funding distribution is needed.

In conclusion, the user-pay system can be restored or Congress can dispense with the user-pay method altogether in favor of annual discretionary appropriations.

Mr. Davis entertained questions about legislation that should be monitored, how Congress will make up the difference, and whether transportation is subject to sequestration, and remarked that it would take 10 to 15 years to implement a vehicle miles traveled (VMT) fee.



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**5. TESTIMONY / FINANCING VIBRANT TRANSPORTATION SYSTEMS INTERNATIONALLY - JAIME RALL, NC F1RST CONSULTANT  
J.R. RALL CONSULTING, LLC**

**DISCUSSION  
SUMMARY**

Mayor McFarlane introduced Jaime Rall.

Ms. Rall commented that she was looking forward to supporting the work of the Commission in the coming months.

Ms. Rall explained that her role was to explore the question “how do other countries pay for their transportation systems” with a view to what those models might offer North Carolina.

**Key Points:**

- The first key finding is that States are innovators – every model has been explored somewhere in the 50 states.
- International models offer some interesting variations on themes that are being investigated in the US.
- There are two broad categories of revenue sources - User Pays or General Revenues.
- User Pays assumption: those who benefit most from a public service such as transportation infrastructure should bear more of the associated cost. User-pay revenues that link usage to upkeep and are usually dedicated to transportation:
  1. Fuel taxes
  2. Vehicle-related taxes and fees
  3. Tolls
  4. Mileage-based user fees
- General Revenues assumption: transportation is a public good and everyone benefits. General revenues can be dedicated to transportation or non-dedicated:
  1. Dedicated general sales taxes
  2. Other dedicated general taxes
  3. Non-dedicated general fund appropriations

Ms. Rall reviewed the most common user-pay revenue sources:

- Every nation taxes motor fuels, but only a handful dedicate motor fuel taxes solely to road construction and maintenance.
- The rest lump motor fuel taxes into the general fund and use them for a variety of government needs.
- Some countries have moved away from dedicated motor fuel taxes (e.g. Japan in 2008).
- In the US dedicated fuel taxes are the dominant model for paying for transportation.
- State motor fuel taxes are the largest single source of state revenues for highways and most states, including North Carolina, restrict their use to transportation.

Changes in driving patterns, fuel efficiency, inflation and other disruptors have raised concerns about the sustainability of gas tax revenues. Ms. Rall reviewed other types of user-pay revenue sources:

- Dedicated vehicle-related revenues such as vehicle registration fees and taxes on vehicle sales (e.g. China has a 10% vehicle tax they allocate to road development and New Zealand uses dedicate registration fees).



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- Other countries have similar fees but lump them into the general fund and they can be used for other needs.
- In the US, vehicle registration fees, special fees on hybrid and electric vehicles, taxes on vehicle sales, traffic fines, and fees for overweight truck permits, car rentals, driver licenses, and vehicle inspections are common.
- Some states, including North Carolina, index these fees so they keep up with the economy.
- Tolls to use specific roadway facilities are also common internationally and go right back into maintaining those facilities.
- Tolls can also be used as part of a Public-Private Partnership (PPP).
- In the US tolls are used in just over half of states.
- Some nations only toll heavy trucks to account for increased wear and tear. Similarly, in the US, Rhode Island has some truck-only bridge tolls for the same purpose.
- One interesting tolling variation is a cordon charge, which users pay when entering a specific zone, usually a congested city center (e.g. Singapore, Stockholm, London and Milan). New York just enacted the first cordon charge in the US in Manhattan.
- Several US states use other congestion-pricing models where toll rates are varied to manage traffic demand. These include express lanes and high-occupancy toll lanes that adjust tolls by time of day or real-time traffic levels (similar to I-77 express lanes in North Carolina).
- Mileage-based user fees charge users for the miles they drive rather than the fuel they consume.
- No jurisdiction levies mileage-based user fees on all vehicles but some have distance-based fees for heavy vehicles (e.g. Austria, Czech Republic, Germany, New Zealand, Slovak Republic, and Switzerland).
- In 2015 Oregon launched an opt-in road usage charge program for up to 5000 cars and light commercial vehicles.
- In 2020 Utah will establish a voluntary program for alternative fuel vehicles.

The other big category of funding options is General Revenues:

- Many countries use non dedicated general revenues that flow through the budget and can be allocated in a discretionary way by the legislature.
- Dedicated general revenues (such as sales taxes set aside for transportation) are not used outside of the US.

Ms. Rall noted that User Pays and General Revenues are not either / or. Many countries and US states use a combination of the two. What is notable is the relative balance between the two and how it differs across jurisdictions. While the US is closer to the User Pays end of the spectrum and uses General Fund or General Sales Tax revenue to supplement, many countries use General Revenue heavily to fund transportation.

Ms. Rall briefly discussed finance mechanisms that borrow against or leverage assets or future revenue and have to be paid back:

- One financing option is bonds.
- Another financing option is Public-Private Partnerships (PPP) where the private sector plays a larger role in providing transportation infrastructure. PPP is used in many countries and many states including North Carolina.
- While PPP offers the opportunity to expedite projects or manage risk, it must be paid back and can't make up for a revenue hole or other structural funding shortfall.

Ms. Rall remarked that there are many options for funding transportation, but they need to be considered holistically because all options are directly or indirectly paid for by citizens.



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	<p>Ms. Rall identified other ideas to consider for using transportation revenues efficiently and effectively:</p> <ul style="list-style-type: none"> <li>• Project prioritization and planning</li> <li>• Performance management</li> <li>• Cost-saving measures</li> <li>• Intergovernmental arrangements (e.g. strategic use of federal support and local flexibility)</li> </ul> <p>Ms. Rall concluded by reiterating that the states are innovators and they are using more than 80 diverse revenue sources for roads and bridges alone.</p> <p>Ms. Rall entertained questions about the correlation between funding mechanism and adequacy, the reliability of funding from year to year in the General Revenues model, states that dedicate a portion of sales taxes for transportation, and mileage-based fee technology.</p>
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**6. TESTIMONY / FINANCING TRANSPORTATION AND REVENUE SOLUTIONS IN OTHER STATES - CAROLYN KRAMER, DIRECTOR, TRANSPORTATION INVESTMENT ADVOCACY CENTER, AMERICAN ROAD AND TRANSPORTATION BUILDERS ASSOCIATION**

<b>DISCUSSION SUMMARY</b>	<p>Mayor McFarlane introduced Carolyn Kramer.</p> <p>Ms. Kramer opened by noting that, in the past five years, the Transportation Investment Advocacy Center (TIAC) has tracked 1,700 ballot initiatives across the country aimed at boosting transportation investment and has monitored 800 legislative measures (300 in 2019 alone).</p> <p>Key Points:</p> <ul style="list-style-type: none"> <li>• Motor fuel taxes continue to be the most popular method for financing investment in transportation infrastructure, and the most efficient way to quickly generate revenue to support those investments.</li> <li>• 31 states have raised the gas tax since 2013, including four states in 2019 (Alabama, Arkansas, Ohio and Illinois).</li> <li>• It has been an average of 17 years since these 31 states last adjusted the gas tax to address construction cost growth and inflation.</li> <li>• Gas tax increases are usually implemented in odd years.</li> <li>• Twenty-two states, including North Carolina, and D.C. have migrated from a flat cents-per-gallon excise tax to a variable-rate tax on motor fuels. These taxes on motor fuel purchases fluctuate automatically according to external factors rather than remain at fixed levels. Typical external factors include inflation as measured by the Consumer Price Index (CPI), or changes to the average wholesale price of fuel.</li> <li>• This automatic growth mechanism is popular as states seek to prevent the erosion of their state gas tax's purchasing power from rising construction costs and inflation.</li> <li>• Alabama recently implemented a new tax formula that will adjust based on changes to the National Highway Construction Cost Index (NHCCI) to achieve long term funding stability. Since the NHCCI can be volatile, Alabama also set an annual floor and ceiling.</li> <li>• In 2018 the CPI was 2% and the NHCCI was 7%.</li> <li>• Several states utilize more complex formulas or have instituted variable-rate taxes that utilize different factors.</li> <li>• Nebraska utilizes a three-part gas tax comprised of a flat excise tax, a variable portion of the tax based on the wholesale price of gas, and the legislature can adjust the tax if it is not meeting their needs.</li> <li>• New Jersey can raise the cap on their variable rate tax if it is not meeting their needs.</li> </ul>
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- Georgia's formula indexes part of their gas tax to Corporate Average Fuel Economy (CAFE) standards and another part to inflation using the CPI.
- Electric vehicle fees have become popular. In 2017 ten states had electric vehicle fees. In 2018 twenty states had electric vehicle fees. And in 2019 an additional seven states established electric vehicle fees. Twelve of those states also have a hybrid vehicle fee. Most of these fees are assessed annually except in South Carolina where the fee is biennial.
- Utah will allow owners of electric vehicles and alternative fuel vehicles to opt-in to a pilot road usage charge instead of paying the flat vehicle fee.
- An example of a diverse electric vehicle fee encompassing multiple aspects can be found in Iowa's 2019 approved legislation. House File 767 approved a \$130 electric vehicle fee, a \$65 plug-in hybrid vehicle fee, a \$9 fee for the battery used in electric and plug-in hybrid vehicles, and a \$0.026 tax on each kWh purchased at a nonresidential location.
- Charging infrastructure has been slow to develop in some areas.
- There are road usage charge (RUC) programs and pilots in ten states (OR, UT, PA, DE, MO, MN, CO, CA, WA, and HI). These are alternatively referred to as mileage-based user fee (MBUF) or vehicle miles traveled (VMT) fees and these states are exploring a variety of options for tracking road usage.
- Implementing road usage charges raises privacy concerns for GPS-enabled devices, but odometer readings can't differentiate between miles driven in state and out of state.
- Minnesota is considering testing their program with ride-sharing companies that already track miles using cell phones.

Ms. Kramer's presentation generated discussion about the insurance industry perspective on monitoring GPS data and the I-95 Corridor Coalition Pilot Project. Amna Cameron provided additional information about the I-95 Pilot and encouraged Commission Member participation in it.

Ms. Kramer described some other approaches for funding transportation investment:

- Forty-six states introduced over 300 funding-related bills in 2019.
- This year, New York became the first state in the country to announce the introduction of "congestion pricing" in urban areas. The program is expected to begin in 2021 and will require motorists to pay a toll when entering zones within Manhattan. The tolls will be variable, depending on the time of day, with drivers charged just once per day via their E-ZPass transponders or their license plate numbers.
- Virginia approved legislation that includes a local fuel tax levied on districts bordering the I-81 corridor. The tax of 2.1 percent on the average wholesale price of fuel is in addition to the existing state fuel tax. Two other regions in Virginia already have the local fuel tax in place (Northern Virginia and Hampton Roads).
- Several states are exploring revenue streams not directly tied to the use of roads:
  1. Along with the motor fuel tax increase approved earlier this year, Arkansas lawmakers put a measure on the 2020 ballot to renew permanently an existing half-cent statewide general sales tax that is used for transportation improvements. The measure was originally approved by voters in 2012 by a 58 to 42 margin.
  2. Illinois, Arkansas and Mississippi have legislation to partially or wholly dedicate revenue from casinos to road and bridge repairs.
  3. Illinois also dedicates a portion of its tax on cigarettes to transportation infrastructure.
  4. To capture out-of-state revenue, Georgia implements a \$5 per night fee on hotel reservations.
  5. South Carolina permits taxpayers to file for a refund of the portion of the 2016 state gas tax increase they paid.
  6. Louisiana is using part of the BP oil spill settlement to fund transportation infrastructure.



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	<p>Ms. Kramer concluded by displaying a map that shows Federal funds provide, on average, 51 percent of annual capital outlays for highway and bridge projects made by state governments. In North Carolina, this figure is 46 percent.</p> <p>Ms. Kramer entertained questions about the frequency and timing of indexed fuel tax adjustments and the impact of gas tax changes on the actual pump price.</p>
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<b>7. COMMISSION DISCUSSION - THE HONORABLE NANCY MCFARLANE, CO-CHAIR</b>
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<b>DISCUSSION SUMMARY</b>	<p>Co-Chair McFarlane began the final portion of the meeting by asking Commission members if they had any questions or if there were any topics they wanted to learn more about. Amna Cameron also spoke briefly about topics that would be addressed at the next meeting.</p> <p>Commission members raised a variety of topics including:</p> <ul style="list-style-type: none"> <li>• Innovative things municipalities are doing on their own</li> <li>• Facility fees</li> <li>• Cities banning additional gas stations within city limits to plan for the future of electric vehicles</li> <li>• Local option taxes</li> <li>• LA Metro authority to pursue revenue and financing separate from California to address their own transportation needs</li> <li>• Reducing bus commute times to drive ridership and generate additional bus revenues</li> <li>• Methods for tracking usage (e.g. Minnesota ride share pilot)</li> <li>• Tracking executive branch measures as well as legislative branch measures</li> </ul> <p>Mayor McFarlane thanked the Commission Members.</p>
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Meeting Adjourned: 11:52 AM